



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
MARSHALL COUNTY  
SHERIFF'S SETTLEMENT - 2000 TAXES**

**February 22, 2002**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
[WWW.KYAUDITOR.NET](http://WWW.KYAUDITOR.NET)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELE. (502) 564-5841  
FAX (502) 564-2912**



**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**MARSHALL COUNTY**  
**SHERIFF'S SETTLEMENT - 2000 TAXES**

**February 22, 2002**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for Marshall County Sheriff as of February 22, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected net taxes of \$11,453,579 for the districts for 2000 taxes. The Sheriff distributed taxes of \$10,992,898 to the districts for 2000 taxes. Taxes of \$11,965 are due to the districts from the Sheriff. Of this amount, the Sheriff should remit \$3,280 to the fiscal court and \$4,806 to the school district. The Sheriff is due refunds of \$427 from other taxing districts.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Mike Miller, Marshall County Judge/Executive  
Honorable Terry Anderson, Marshall County Sheriff  
Members of the Marshall County Fiscal Court

Independent Auditor's Report

We have audited the Marshall County Sheriff's Settlement - 2000 Taxes as of February 22, 2002. This tax settlement is the responsibility of the Marshall County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Marshall County Sheriff's taxes charged, credited, and paid as of February 22, 2002, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Mike Miller, Marshall County Judge/Executive  
Honorable Terry Anderson, Marshall County Sheriff  
Members of the Marshall County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 27, 2002



MARSHALL COUNTY  
TERRY ANDERSON, SHERIFF  
SHERIFF'S SETTLEMENT - 2000 TAXES

February 22, 2002

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,026,384	\$ 3,085,022	\$ 3,130,471	\$ 1,447,201
Tangible Personal Property	238,501	399,557	546,938	1,373,529
Intangible Personal Property				128,509
Taxes Increased Through Erroneous				
Assessments	18,981	29,923	44,284	210,950
Franchise Corporation	156,537	348,167	376,824	
Penalties	9,569	29,067	28,717	15,813
Adjusted to Sheriff's Receipt (Note 8)	(12,105)	(15,460)	(30,047)	(79,306)
Gross Chargeable to Sheriff	<u>\$ 1,437,867</u>	<u>\$ 3,876,276</u>	<u>\$ 4,097,187</u>	<u>\$ 3,096,696</u>
<u>Credits</u>				
Exonerations	\$ 34,898	\$ 60,896	\$ 85,106	\$ 141,935
Discounts	17,491	48,203	50,678	44,721
Delinquents:				
Real Estate	38,279	112,251	116,751	53,974
Tangible Personal Property	3,619	7,174	8,299	20,058
Intangible Personal Property				30,724
Uncollected Franchise Corporation	<u>33,572</u>	<u>67,445</u>	<u>78,373</u>	
Total Credits	<u>\$ 127,859</u>	<u>\$ 295,969</u>	<u>\$ 339,207</u>	<u>\$ 291,412</u>
Net Tax Yield	\$ 1,310,008	\$ 3,580,307	\$ 3,757,980	\$ 2,805,284
Less: Commissions *	<u>55,963</u>	<u>132,412</u>	<u>135,287</u>	<u>119,512</u>
Net Taxes Due	\$ 1,254,045	\$ 3,447,895	\$ 3,622,693	\$ 2,685,772
Taxes Paid	1,250,073	3,442,228	3,615,784	2,684,813
Refunds (Current and Prior Year)	<u>692</u>	<u>2,025</u>	<u>2,103</u>	<u>1,149</u>
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ 3,280</u>	<u>\$ 3,642</u>	<u>\$ 4,806</u>	<u>\$ (190)</u>

\* and \*\* See Page 4

MARSHALL COUNTY  
TERRY ANDERSON, SHERIFF  
SHERIFF'S SETTLEMENT - 2000 TAXES  
February 22, 2002  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	7,077,884
3.6% on	\$	3,757,980
1% on	\$	607,717

\*\* Special Taxing Districts:

Library District	\$	794
Health District		499
Extension District		256
Hospital		584
Refuse		966
Mileage		(11)
Hardin		33
Aurora Fire District		(198)
Gilbertsville Fire District		184
East Marshall Fire District		243
Possom-Trot Fire District		184
Briensburg Fire District		48
ENO Fire District		1
Harvey-Brewers Fire District		87
Fairdealing Fire District		(28)
		<hr/>
Due Districts	\$	<u>3,642</u>

The accompanying notes are an integral part of the financial statement.

MARSHALL COUNTY  
NOTES TO FINANCIAL STATEMENT

February 22, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue, which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue, which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of February 22, 2002, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

MARSHALL COUNTY  
NOTES TO FINANCIAL STATEMENT  
February 22, 2002  
(Continued)

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 30, 2000 through April 3, 2001.

Note 4. Interest Income

The Marshall County Sheriff earned \$14,176 as interest income on 2000 taxes. The Sheriff owes \$167 in interest to the school district and \$870 in interest to his fee account as of March 27, 2002.

Note 5. Sheriff's 10% Add-On Fee

The Marshall County Sheriff collected \$58,466 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of March 27, 2002, the Sheriff owes \$18,101 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Marshall County Sheriff collected \$6,832 of advertising costs and \$4,880 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office

Note 7. Bond Coverage

KRS 134.320 and KRS 134.250 give the Fiscal Court the authority to require the Sheriff to have a county revenue bond. The county revenue bond is meant to cover all tax monies on hand in the Sheriff's office. During the tax year, the highest amount of tax collections on hand was \$1,179,324. Since the Sheriff's county revenue bond was only \$200,000, the amount of the bond appears inadequate to protect the county from potential loss.

Note 8. Sheriff's Official Receipt

The Sheriff's Official Receipt was understated by \$136,918. This was due to errors in printing the tax bills. Several tax bills were not coded with a taxing district and therefore printed with zero amounts due. These bills were subsequently included in the tax roll through an exoneration increases and bills were made manually.

Note 9. Sheriff's Tax Escrow Account

The Marshall County Sheriff opened a Tax Escrow Account on September 29, 1999. This Tax Escrow Account's beginning balance was \$2,808. During tax year 2000, the Sheriff deposited \$20,303 in tax overpayments and the account earned interest of \$115. The Sheriff refunded \$18,681 to taxpayers during tax year 2000 leaving an ending balance as of February 22, 2002 of \$4,545. After seven years, any unclaimed tax monies including interest earned will be transferred to the Commonwealth of Kentucky.

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

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Members of the Marshall County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Marshall County Sheriff's Settlement - 2000 Taxes as of February 22, 2002, and have issued our report thereon dated March 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Marshall County Sheriff's Settlement - 2000 Taxes as of February 22, 2002 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marshall County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 27, 2002



